April 29, 2019

MEMORANDUM

TO: City and County Superintendents of Education

FROM: Eric G. Mackey
State Superintendent of Education

RE: Child Nutrition Program Pass-Thru Calculation Procedures

The Appropriations Act (Act #2018-481, Section 12) provides for the State Superintendent of Education to approve a request by a local board of education for redirecting Other Current Expense funds from the local Child Nutrition Program (CNP) pass-through calculations if the redirected funds do not prevent the Child Nutrition Program of that local board of education from maintaining a one-month fund balance. For FY 2019, the following procedures will be implemented.

1. As your school system’s financial statements for FY 2019 are prepared, the Chief School Financial Officer (CSFO) will calculate the one-month fund balance and compare this to the ending fund balance. The one-month fund balance is calculated as Total CNP Expenditures (including Other Fund Uses) divided by 12.

2. If the ending CNP fund balance is greater than the one-month fund balance, a waiver will be requested for the difference between the Calculated Spreadsheet Pass-Thru amount and the Actual Pass-Thru amount.

3. If the ending fund balance is less than the one-month fund balance, 100% of the Calculated Spreadsheet Pass-Thru amount must be passed through to CNP.

4. The attached form should be completed and submitted as part of your system’s Financial Statement Packet.

The CSFO and CNP Director should collaborate to ensure an appropriate ending fund balance is retained for CNP operations. We recommend maintaining a fund balance at a level that will support the ongoing success of the CNP program. Consideration should be given to maintaining a fund balance sufficient to supporting emergencies, long-term equipment needs, and state/local raises.

The Pass-Thru Transfer spreadsheet from the ALSDE CNP section will be completed for FY 2020. This will provide information related to the raises and benefits for the CNP staff; will be utilized by the ALSDE CNP section in calculating certain required information; and will calculate the pass-thru amount if the fund balance is less than one month or no waiver is requested.
During the year, the CNP fund balance should be monitored on a monthly basis to ensure that an appropriate fund balance is maintained. A monthly trial balance report by cost center should be provided to your system’s CNP Director. Based on the anticipated pass-thru amount, funds should be passed through as needed, but at least quarterly, to the CNP fund source.

As your school system evaluates what is a sufficient fund balance for the CNP program please keep in mind the following.

1. If the revenues generated by CNP operations are consistently less than the expenditures, the general fund will eventually have to increase the pass-thru amount to CNP. During the years that a portion of the CNP pass-thru is retained in the general fund, caution should be taken in the types of general fund expenditures incurred. If the CNP fund balance no longer meets the required threshold, additional funds are required to be passed through to CNP. If necessary, reductions to anticipated General Fund expenditures may be required.

2. If the CNP fund balance, based on the CNP Financial Profile, is greater than three months, ALSDE CNP can waive the Paid Lunch Equity (PLE) price increase. In the absence of a waiver, the entire increase must be made in the following school year. Required increases will impact the price of paid student meals as well as adult and visitor meal prices.

3. At the end of the school year, the CNP fund balance should be sufficient to cover summer expenditures (salaries, benefits, startup purchases, etc.) without, or with less, revenue for meal reimbursements during those months.

If you have questions about the implementation of these new procedures contact Ms. Sonja Peaspanen (334) 694-4832 or speaspanen@alsde.edu or Ms. June Barrett (334) 694-4660 or jbarrett@alsde.edu.

EGM/AC/SSP
Enclosure
cc: Chief School Financial Officers
    Child Nutrition Directors

FY19-3034
Child Nutrition Program Operating Balance
Pass-Thru Relief Request
FY 2019

Did the FY 2019 Ending CNP Fund Balance (Fund Source 5101 + 5170) exceed one month of Expenditures, including Other Fund Uses? Yes No

If “Yes” Required to be completed if you wish to retain funds.

Fund Source 5101 Pass-Thru Spreadsheet Calculation

Actual Pass-Thru (Special Use 0034)

Difference (Pass-Thru Relief Requested)

CNP Director Signature Printed Name Date

CSFO Signature Printed Name Date

Superintendent Signature Printed Name Date